

## HUNGARY

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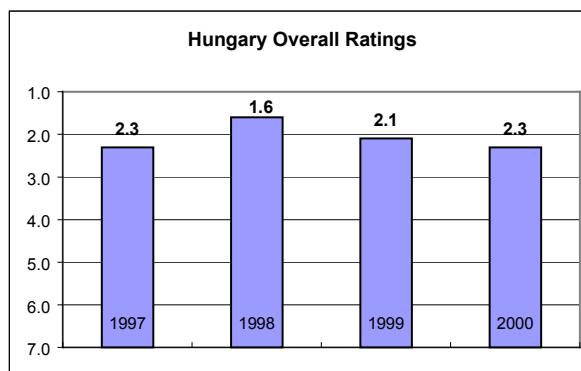
**Capital:** Budapest  
**GDP per capita:** \$4,885  
**Population:** 10,100,000

**Inflation:** 9%  
**Unemployment:** 9.1%  
**Foreign Direct Investment:** \$1,600,000,000

### OVERALL DESCRIPTION: 2.3

By some counts, there may be as many as 50,000 NGOs in Hungary, although most estimates of “functioning” organizations put this number closer to about 10,000 - 20,000. One potential point of concern for the sector is that NGOs are increasingly being used – across the ideological spectrum, but perhaps to a greater extent by “successor” organizations of former communist institutions – for political party purposes.

Some of the most important challenges to the sector are the strengthening of organizations’ socio-economic legitimacy, the discovery and fulfilling of social service functional roles, and improvement of both intra- and inter-sectoral cooperation. Improved cooperation with other sectors will be important for the development of local sources of support to build sustainability in the long run. Increased opportunities for NGOs to cooperate, communicate and work in coalitions would be beneficial for the sector. NGOs particularly need assistance in participating more actively in civil advocacy and in local and national decision-making processes.



Strong regional differences continue to present challenges for the sustainability of Hungarian NGOs, particularly the differences in patterns of economic opportunity and investment, and regional differences in unemployment rates and per capita GDP. In general, NGO development in Hungary will continue to be closely linked to economic development, presenting a great challenge in those regions where needs are objectively the greatest and indigenous resources for NGOs are the scarcest. Central Statistics Office figures show, however, that increasingly NGO resources are going outside the capital, a healthy trend.

### LEGAL ENVIRONMENT: 1.0

The legal environment in which non-profit organizations operate in Hungary is generally positive and has been stable over the past years. The Government of Hungary (GOH) enacted comprehensive NGO legislation in Decem-

ber 1997, and has been receptive to further discussion of improvements in the law. A number of such modifications are currently pending in the Parliament. The existing NGO legislation lays out financial and reporting criteria, and

seeks to remove inactive NGOs from the official registry. This legislation has improved transparency and offers several benefits to non-profits, including the opportunity to compete for public procurement at the local and regional levels, especially in the realm of social service provision.

Long-term benefits of the legislation will likely include a gradual improvement in the credibility of the sector. The Hungarian Central Statistics Office reports

that 11,000 different NGOs received individually selected tax contributions in 1999 under the "One Percent" legislation, which allows citizens to designate a registered NGO to which one percent of income tax will be given. While there were some difficulties encountered at the beginning of this effort, steady improvements have been made. This legislation has also helped NGOs to realize the benefits of reaching out to their local communities, and increases the exposure of the sector in general.

### **ORGANIZATIONAL CAPACITY: 3.0**

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As measured purely in the number and variety of NGOs, organizational capacity is strong. Currently there are between 40,000 and 50,000 legally registered NGOs, but it is unclear exactly how many are functioning and active. Until recently it has been extremely rare to "de-register" non-functioning NGOs, because there was no established process and no incentive to d-register. Apart from vocational associations, there is a lack of nationwide coalitions

During the past year one NGO that had received support from USAID became the first Hungarian NGO to receive certification from the International Standards Organization (ISO). ISO is almost exclusively in the private sector, and means that the NGO went through the same total quality audit processes that a large multinational corporation would

experience. This certification means that the entire organization - from finances and administration to service production and delivery - has been audited with an eye toward total quality. This process has helped the NGO find ways to improve its services and service delivery and is evidence to both clients and potential donors of a high level of professionalism and credibility.

Nevertheless, the sector in general is still relatively weak in areas such as reporting, strategic management and public relations. Skill levels in these areas vary, depending on sector and region, with environmental NGOs among the most professional, and NGOs in the economically depressed eastern regions among those with the greatest need for organizational capacity development.

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### FINANCIAL VIABILITY: 3.0

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Hungary is currently enjoying sustainable, dynamic growth for the first time since the regime change. As the economy improves, it is hoped corporate citizenship will take hold, but Hungarian NGOs are still very much in the beginning stages of approaching commercial and corporate sponsors. For many NGOs this is simply not seen as a viable strategy yet, particularly in disadvantaged regions where companies often do not have resources to spare. Financial viability is very much a function of regional economics.

An encouraging sign, however, is that slightly more than 60% of NGO resources in Hungary do come from self-generated revenues, suggesting that NGOs have developed the beginnings of a core base of support. The Central Statistics Office reports that 11,000 NGOs received funding through the One Percent Program during the past year.

Another encouraging sign is that the number of individuals using the One Percent Program has virtually doubled, from 1 million in 1997 to almost 2 million in 2000.

Although only one third of the country's NGOs are located in Budapest, they have almost two-thirds of the entire sector's resources.

Provincial NGOs have made marked improvement over the past year, however. Unfortunately the greatest needs are actually outside of the capital city, which has a per capita GDP double that of the nation as a whole. There is some degree of consolidation occurring in the non-profit sector as a result of the new NGO law and the withdrawal of foreign donors.

### ADVOCACY: 3.0

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In certain areas, particularly minority rights, rights for the disabled, etc., NGOs are proving themselves to be effective at making their positions known and in working for change. These efforts can be very effective, particularly at the local level and more NGOs should develop a policy development orientation.

At the national level the picture is more mixed. A number of NGOs are more and more willing to become players in party-political issues, with formal or informal party affiliations increasingly common. This trend, should it continue, might harm the state of the sector as a whole.

### SERVICE PROVISION: 2.0

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Direct provision of services provides perhaps the best opportunity for NGOs to connect with their communities. Currently NGOs are able to generate more than 60% of their income from services provided, and this proportion is growing as foreign donors reduce funding levels

in Hungary. Local and national governments do provide a number of opportunities for normative support, normally for niche social services to those with special needs.

Local governments are still wary of giving funding to NGOs to provide services that municipalities are legally mandated to provide. This is not likely to change in

the near future. A complicating factor is the fact that contracts signed by a municipal government and NGOs are often thrown out following election cycles.

### **INFRASTRUCTURE: 2.0**

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The Hungarian non-profit sector has reached the point of maturity where a strong cadre of well-trained professionals exists to provide consultative services to the sector, although it is rare that a smaller NGO can actually afford to pay for such services. The GOH recently began funding a nation-wide net-

work of "Civic Houses", built in larger towns across Hungary, which provide services to local NGOs.

A certain degree of currently existing institutional infrastructure is supply-driven, and will likely not be sustainable without foreign funding.

### **PUBLIC IMAGE: 2.0**

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The impact of the "One Percent" legislation and the 1997 NGO law are beginning to be felt: NGOs have begun undertaking concentrated efforts to inform local communities of their activities. The fact that the "One Percent" law has proven to be rather popular with the

public at large suggests that perceptions are generally positive.

One potential area of concern is the tendency of political parties to either invent or subvert NGOs to serve their own parochial purposes.